

Uruguay

Economic Summary



Uruguay is a market-oriented economy in which the State still plays a significant role. It became a high-income country by World Bank standards in 2013. Adjusted by purchasing power parity, Uruguay's per capita GDP is the highest in South America. Social indicators are high by Latin American standards. United Nations reports that Uruguay has the most equal income distribution in Latin America.

The economy grew robustly from 2004-2014 with an annual average growth rate of 5.4%, led by private consumption that was in turn driven by low unemployment, rising wages, and a strong peso. A positive international environment –comprised of high commodity prices, low interest rates, and strong capital inflows– was a cornerstone to strong and sustained growth. Since then, the economy has weathered regional economic downturns, but growth decelerated significantly to 1.3% annually in 2015-2019. GDP contracted 6% in 2020 in the face of the Covid-19 but it is already above pre-pandemic levels. Analysts expect 5.3% and 2.8% growth for 2021 and 2022, respectively.

Short-term domestic challenges include increasing employment and grappling with inflation. Medium-to-long-term challenges include fostering productivity and competitiveness, as well as improving education and infrastructure.

Uruguay provides significant incentives to local and foreign investors. Foreign and national investors are treated alike, there is free remittance of capital and profits, and investments are allowed without prior authorization. Domestic and foreign direct investment (FDI), which have been traditionally low, increased significantly during the economic boom but have flagged since then.

In 2020, the United States held the 4th largest stock of foreign direct investment in Uruguay. About 170 U.S. companies employ over 25,000 people. Uruguay's strategic location and special import regimes make it an effective distribution center for U.S. goods into the region. Several U.S. firms warehouse their products in some of Uruguay's 13 free trade zones to service their regional clients. Uruguay is also a good place to test U.S. products that could be exported to the region.

Uruguay is a founding member of MERCOSUR, the Southern Cone trading bloc also composed of Argentina, Brazil and Paraguay (Venezuela is suspended). While Argentina and Brazil remain key partners, over time Uruguay has gradually reduced its longstanding dependency on the region. MERCOSUR's Secretariat and Parliament are based in Montevideo. Uruguay has trade agreements with most countries in South America and Mexico, which provide for the free trade of goods and other trade matters.

Imports from the United States have risen in recent years. In 2021, the U.S. was Uruguay's 5th largest supplier of goods, mainly crude oil and telephony equipment. The U.S. was also Uruguay's 3rd largest export destination, mostly beef, cellulose, and beef products. But for tourism, the U.S. is a major buyer of Uruguay's services. It buys about 60% of Uruguay's IT exports –about \$600 million, on par with its goods purchases–, and a vast share of its audiovisuals and global services exports

Uruguay has bilateral investment treaties with several countries, including one with the United States, and several Double Taxation Agreements (none with the United States). A Trade and Investment Framework Agreement (TIFA) signed in 2007 provides the basis for the bilateral economic relationship. Uruguay and the United States also have agreements on Customs Mutual Recognition, Science and Technology, Promotion of Small and Medium Enterprises, and Open Skies. An Annual Inter-Ministerial high-level dialogue was launched in 2022.

GENERAL INDICATORS

Area: 68,036 sq. miles } *About the same as Oklahoma*
Population: 3.6 million
Annual Population Growth Rate (est. 2017-2022): 0.4%
Montevideo (Capital): 40% of total population
Life Expectancy at Birth: 78.2 years
Literacy Rate: 98.9%
Population with access to drinkable water: 98.4%
Poverty level (% of population): 10.7% (June '22), 11.0% (June '21)

ECONOMIC ACTIVITY

GDP
 – **Billions of \$:** 64.2 (June '22), 59.3 ('21), 53.5 ('20)
 – **Growth Rate:** 8.0% (first half '22 over first half '21), 4.4% ('21), -6.1% ('20)
 – **Per Capita (000 of \$):** 18.1 (June '22), 16.7 ('21), 15.2 ('20)
 – **Per Capita (adjusted by PPP, 000 of \$, '21):** \$24.6 (35% the U.S.'s)
Industry: 11% of GDP. Up 2% in Jan.-July 2022. *Main sectors: agri-industry (beef and dairy products), metallurgical, oil refining, cellulose*
Agriculture: 7% of GDP. Up 17% in Jan.-July 2022. *Large areas devoted to livestock grazing, soy, forestry and rice. About 80% of exports are ag. based.*
Commerce, restaurants & hotels: 14% of GDP. Up 6% in Jan.-July 2022
Other Services: Over 60% of GDP

PUBLIC ACCOUNTS & RISK RATING

Budget Deficit (% GDP): -2.3% (Sept. '22), -3.6% ('21), -5.2% ('20)
Gross Public Debt (% of GDP): 57% (Sept. '22), 60% ('21), 62% ('20)
Risk Rating: Investment Grade. S&P (BBB/Stable) Moody's (Baa2/Stable)
Country Risk (basis pts, avg.): 95 (Nov.'22), 113 ('21), 177 ('20)
Main Taxes: VAT –22%; Corporate Tax –25% (higher if firms distribute earnings); Personal Income Tax with rates ranging from 0% to 30%

LABOR

Labor Force: 1.8 million
Unemployment (average): 7.9% (Jan-Oct '22), 9.3% ('21), 10.4% ('20)
Monthly Minimum Wage: \$475 (Nov. '22)
Average Monthly Household Income: \$2,003 (Sept. '22)

EXTERNAL ACCOUNTS

EXPORTS OF GOODS (FOB, including exports from free trade zones):
 \$10.8 billion (Jan.-Sept. '22, up 29% from same period of '21), \$11.4 billion ('21)
Partners: China, Brazil, Argentina, U.S., The Netherlands ('22)
Goods: Cellulose, Beef, Dairy Products, Soybeans, Beverages Concentrates
IMPORTS OF GOODS (CIF): \$10.8 billion (Jan.-Oct. 2022, up 30% from same period of 2021), \$10.3 billion (2021)
Partners: Brazil, China, U.S., Argentina, Germany ('22)
Goods: Crude Oil, Electric Generators, Vehicles, IT & Telephony Equipment
Import Tariffs vary between 0 and 35%. Mean tariff is 10.5%
Current Account (% of GDP): -1.5 (Q2/'22), -1.8% ('21), -0.8% ('20)
No import quotas apply.

GOODS TRADE WITH THE UNITED STATES (FOB)

EXPORTS TO U.S.: \$585million (Jan-Sept. 2022, up 38% from same period of 2021, 5% of total exports), \$572 million ('21)
Goods to U.S.: Beef, Cellulose, Beef Products, Wood Panels, Leather
IMPORTS FROM U.S.: \$1.6 billion (Jan-Oct. 2022, up 140% from same period of '21, 15% of total imports), \$0.9 billion ('21)
Goods from the U.S.: Crude Oil, Telephony Equipment, Computers & Parts

MONEY & PRICES

Inflation (CPI, Dec-Dec): 8.5% (Nov. '22), 8.0% ('21), 9.4% ('20)
Exchange Rate (Pesos per dollar, avg.): 39.7 (Nov '22), 43.6 ('21), 42.01 ('20)
Annual Interest rates (Nov '22):

	In UY pesos	In US dollars
Paid on Deposits	7.1%	0.6%
Charged on Loans (to medium firms)	15.5%	4.7%